
Washington Climate Change Challenge

Climate Advisory Team

“Enhancing Investments that Reduce Carbon and Spur Technological Innovation Throughout Washington’s Economy “

Draft Summary of Investment and Entrepreneurial Community Outreach Meeting

Thursday, September 20, 1:00 – 3:00 p.m.

Seattle, WA

This document summarizes the discussion on September 20 between ten members of the financial community representing a variety of interests and several CAT members. A list of meeting participants is appended to this document. This document is a draft, and will continue to be refined and updated as additional input is received from the meeting participants.

Overview and Purpose of the Meeting

The Washington Departments of Ecology (Ecology) and Department of Community, Trade and Economic Development (CTED) have formed the Washington Climate Advisory Team (CAT) to assist with the development of specific action-oriented recommendations for climate change mitigation and GHG reduction policies for Washington as part of the Washington Climate Change Challenge initiated through Executive Order No. 07-02. This process engages business, community and environmental leaders in considering the full range of policies and strategies needed for Washington to achieve goals established by Governor Gregoire and the legislature to reduce the emissions contributing to climate change, grow the clean energy economy, and move towards energy independence.

The CAT determined that a key element to achieve these goals is to understand how best to enhance investments that reduce carbon and spur technological innovation throughout Washington's economy. Members of the CAT asked members of the investment and entrepreneurial communities to address two questions:

- What are the governmental ‘market signals’ that the financial community looks for when investing in clean energy/low carbon technologies?
- Are there any specific areas of interest to the financial community which connect with strategies under consideration in the Climate Challenge process?

Driving Entrepreneurship and Innovation in Washington State

Participants identified the following criteria and characteristics of an environment that encourages and drives entrepreneurship and innovation to create solutions for a lower-carbon future:

- **Create predictable, sufficient, and comprehensive market, rather than ‘market signals’.**
Investors are looking for markets that are coherent across a region and supported by consistent government policies and messages. Government can provide significant carbon reduction targets to demonstrate that there is a large and sustained market to pursue, and that these markets are real. To avoid a narrow focus on specific, small markets, government can sponsor broad initiatives that are agnostic to technology and rather are designed in terms of ensuring significant greenhouse gas reductions. Government can also provide clarity about the future and market sustainability through clearly describing the anticipated changes being sought, supported and/or required.
- **Support clean energy investment through stable, symmetrical and streamlined regulation.**
Government can promote clean energy investment and support new job creation in the low-carbon economy by streamlining the regulatory process so it is faster and less expensive, and is symmetrical across state boundaries. A cumbersome regulatory process can be challenging for entrepreneurs who want to get a start-up company profitable quickly. Participants encouraged a regulatory process that maintains the substantive standards and environmental protections, but is faster and less complicated.
- **Invest in intellectual capital to stimulate venture capital-level investment in clean energy.**
Supporting innovation in the academic environment through investments in higher education, research, and technology transfer will drive the ideas that attract investment capital and job creation. Participants suggested using tax revenue to provide tenured professorships in clean technology, and policies that allow professors to remain within academia, and still patent ideas. Participants noted that California’s thorough and wide-reaching policies and programs linked directly to academic institutions have spurred significant gains in clean technology expansion.
- **Focus on building companies rather than “projects” to increase jobs and drive economic growth in the clean energy economy.**
Companies are engines for economic growth. Focusing on building and supporting new technology companies will drive sustained economic growth rather than investments in project work that is more transient in nature.
- **Provide a business income tax credit for qualified high-tech businesses and companies who take measures to increase efficiency.**
Investors capitalize on the space created by higher prices that create the opportunity for price differences to drive alternatives. Because Washington’s power rates disincentivize energy efficiency and new energy supplies, the price signal that attracts investments in alternative approaches is not being sent. Participants noted that the tiered approach to electricity rates in California increases the need for energy efficiency investments. A business income tax credit could help provide this price signal.

Two Economic Mechanisms for Establishing A Carbon Market

In considering economic mechanisms that can be employed to drive greenhouse gas emission reductions, participants noted that consumer behavior is price driven and investor behavior is price sensitive. A system should be selected that sends appropriate price signals throughout the economy. Carbon taxes and cap-and-trade are potentially alternative solutions, but potentially mutually exclusive if covering the same activities, and potentially synergistic if applied appropriately.

Participants discussed the relative advantages and disadvantages of each:

- **Carbon tax**
 - Investors perceive that carbon taxes as a more direct, simple, and straightforward way to place carbon limitations on the economy, and potentially more efficient than cap-and-trade. Taxes influence consumer behavior through pricing, raise revenue for the government that can support other clean energy initiatives (e.g. higher education), and provide opportunities for 'tax credits' as an additional incentive.
 - Setting a Washington-only carbon tax that can sufficiently change behavior to meet the goals would be difficult, and would represent a significant competitive disadvantage in a global economy.
- **Cap-and-trade**
 - A cap-and-trade system allows auctioning, trading, and other tools that more efficiently and accurately set prices, and can build on existing international carbon markets that are defined and operating with \$10 billion in trades. Participants discussed that if a cap-and-trade system raises prices and affects consumer behavior, it can deliver what the participants like about taxes.
 - Participants indicated that a challenge of a cap-and-trade include possible lack of clarity around "what" carbon is a tradable, fungible commodity, and lack of clarity about how transportation can be addressed within a cap-and-trade system.

Next Steps

Participants expressed appreciation at the opportunity to gather and participate in the conversation. CAT members thanked participants for sharing their time and ideas, and invited them to get in touch with any additional input.

The meeting adjourned at 3:00 p.m.

Appendix 1: List of Meeting Participants

Investment and Entrepreneurial Community Members

- Ted Bernhard, Stoel-Rives LLP
- Gino Borland, Cake Ventures, LLC
- Sally Breck, K&L Gates
- Matt Brock, Imperium Renewables
- Dave Chen, Equilibrium Capital (by phone)
- Todd Ellis, Imperium Renewables
- Graham Evans, Washington Clean Tech Alliance
- John Ewald, American Beef Processing, LLC
- Paul Garner, Cake Ventures, LLC
- Lars Johansson, Energethic, LLC
- David Lahai, Evergreen Recycling (by phone)
- Byron McCann, Ascent Partners Group LLC
- Jonathan Naimon, Light Green Advisors, LLC

CAT members

- Rod Brown, Cascadia Law Group
- KC Golden, Climate Solutions
- Bill Messenger, Washington State Labor Council
- Michael Rawding, Microsoft

State Agency Representatives and CAT Support Staff

- Tony Usibelli, WA Department of Community, Trade and Economic Development
- Julie Anderson, WA Department of Community, Trade and Economic Development
- Tim Stearns, WA Department of Community, Trade and Economic Development
- Leslie Stanton, Puget Sound Clean Air Agency
- Michael Lazarus, Center for Climate Strategies
- Bill Ross, Ross & Associates Environmental Consulting, LTD
- Lydia Dobrovolsky, Ross & Associates Environmental Consulting, LTD